

TESTIMONY
House Commerce Finance and Hazardous Materials Subcommittee
105th Congress, 1st Session
regarding
H.R. 1053 “The Common Cents Stock Pricing Act of 1997”
by

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Mister Chairman, Members of the Committee:

It is a pleasure to have the opportunity to speak in favor of H. R. 1053. I feel passage could save our teachers and retirees millions of dollars annually. This money now winds up in the hands of people who profit excessively from our fundamental need to invest the retirement savings of hundreds of thousands of Americans. This bill can correct this injustice.

I head a retirement system that invests nearly \$40 billion to ensure the financial security of more than 300,000 Ohioans, both current and former teachers and retirees and their dependents. I also have been asked by my counterparts at my sister retirement systems in Ohio, who invest another \$50 billion on behalf of their respective members, to express their support for passage. And I represent and can express the support of the membership of the Council of Institutional Investors, a voluntary association of more than 100 of the largest public, private and union pension and endowment funds in America. Combined, Council members own nearly 8% of the common stock issued by U.S. corporations and use the securities markets in enormous volume annually. We have a big stake in this issue.

We are significantly affected by today's securities pricing arrangement that restricts our ability to buy and sell publicly traded issues only in what amounts to large price increments. The proposed shift from pricing in units of eighths of a dollar to decimals (hundredths of a dollar) offers the potential for much tighter bands or spreads between bid and offered prices of shares. We believe the result will be that less of the transaction value will flow to the middlemen between buyers and sellers. If we can sell our shares for a few cents more or buy more shares for a few cents less, teachers in Ohio and millions of workers and retirees in the member plans of the Council of Institutional Investors stand to have hundreds of millions more dollars than we do today at the end of each year, money that will be used to provide added security for our members in the years ahead.

In my view, it is an anachronism that we must obtain and evaluate price quotes for shares in increments of eighths. It suggests we are still wearing pantaloons, standing under oil lamps and biting on coins to determine if the money is really gold before we conclude securities transactions. American consumers in the 21st Century will deal in dollars and cents for every other significant purchase, from health care to home mortgages. Surely we can offer the same kind of convenient measurement basis for the current value of his or her financial security holdings.

I believe the securities markets will be less mysterious to casual and even unsophisticated investors with a change to decimal pricing. With simplification

may come greater understanding of and confidence about entering such markets. Some fear a loss of market liquidity because of reduced broker income caused by narrowing spreads. It may be more likely that passage will cause brokers to be swamped by even greater volume than exists today from less confusion on the part of potential customers about how securities are priced. It's time to modernize.

I say, simplify securities pricing and prepare for greater business opportunities.

Thank you for the opportunity to express these views.